



Rural tourism in Hungary: the key of competitiveness

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The purpose of this study is to examine the competitiveness of village tourism destination in Hungary utilizing comparative and competitive advantages as the theoretical base. The study identifies the key success factors, touches upon possible problems and puts forward solution for these. The presupposition of the author is that rural tourism can be competitive only if it creates value both for demand and supply side and if the actors of the rural area cooperate their activities. The author emphasizes the role of suitable competences and resources.

Keywords: rural tourism, competitiveness, success, cooperation, Hungary

JEL classification: P13, R11

1 Introduction

Rural tourism is a segment of the total tourist industry which could be particularly important in Hungary, in a country with no spectacular natural attractions, without seaside, high mountains or rainforest. However, its attractive cultural landscapes with small villages, thermal springs, rivers and lakes, combined with the traditional hospitality, are able to offer pleasant experiences to the kind of tourist who is looking for relaxation and recreation in a calm setting.

But how can we be successful and competitive in the long run? What are the key elements of competitiveness? This paper attempts to answer these questions by presenting the current situation of Hungarian rural tourism.

2 Definition of rural tourism

Rural tourism in Europe has been around, in one form or another, for at least 100 years. At the turn of the 20th century, as countries became more industrialised, they were linked by ever-more efficient networks of transport which allowed city residents to travel to rural regions – at home or in neighboring countries – to escape their crowded, factory-filled cities and enjoy the health benefits of holidaying in the fresh air. It is, however, only in the past decade or so, that rural tourism has been identified as a niche market. (Mintel, 2007)

According to Swarbrooke (1996) rural tourism is one of the main priorities of tourism development in many European countries. The market for rural holidays is growing at the same time as the future of many rural regions is uncertain, due to changes in agricultural practice or the increasing attractiveness of urban living standards. Rural tourism seems to be an appropriate tool to revitalise the declining rural areas and to ensure their sustainable future by job retention or even job creation, service retention, farm support, broadened cultural provision, landscape and nature conservation or the maintenance of rural arts and crafts as tourist attractions. Rural tourism often provides an incentive for infrastructural development, which then contributes to the growth of other economic activities in rural areas.

It seems to be simple to define rural tourism as "tourism that takes place in the countryside", but this definition does not include the complexity of the activity and the different forms and meanings developed in different countries (Rátz - Puczkó, 1998). According to a broader definition, "rural tourism includes a range of activities, services and amenities provided by farmers and rural people to attract tourists to their area in order to generate extra income for their businesses" (Gannon, 1988, in Rátz - Puczkó, 1998). If this broader concept is accepted, rural tourism covers not only farm tourism or agritourism (which is generally what rural tourism means for most people), but also special interest nature holidays, touring in rural areas, and the services include - besides accommodation - events, festivities, gastronomy, outdoor recreation, production and sale of handicrafts and agricultural products, etc.

The term rural tourism has different meanings in different countries. In Greece, for example the main provision of rural tourism product is bed and breakfast with accommodation in traditionally furnished rooms and with traditional breakfasts often based on home-made products. Complementary activities include restaurants and refreshment facilities or the organisation of cultural and recreational activities (Turner, 1993, in Rátz – Puczkó, 1998). In Finland, it usually means renting out cottages to visitors or providing catering services in the countryside. In the Netherlands, the rural tourist product means especially camping on the farm, with most farm services being linked to route-bound activities as cycling, walking or horse-riding (Peters et al, 1994, in Rátz – Puczkó, 1998). In Hungary, a special term of rural tourism exists: village tourism, that means "tourism in villages (food, lodging and services) presenting life in the country, traditions with active participation of visitors"(HNTO¹, 2005).

3 Rural tourism development in Hungary

Rural tourism in Hungary started to develop already in the last century, and this kind of tourism became popular very soon. Before the Second World War, holidays taken in rural areas accounted for 35-45% of all holidays (Kovács, 1993). However, the rural tourism of that period entirely disappeared after 1945 and the reorganisation of

¹ Hungarian National Tourist Office

the market faces significant obstacles: the lack of an institutional framework, the bad financial situation and the little interest on behalf of professional tourist organisations, the lack of business and hospitality skills and the ageing of the local residents.

The development of rural tourism has been included in regional development plans since the 1960's, without too much success (Kőszegfalvi, 1991). According to Rátz and Puczkó (1998) it has to be added that the majority of the Hungarian population living in urban areas still has relatives in the countryside, so VFR (Visit Friends and Relatives) is an existing form of rural tourism, but as the motivations are different (to visit relatives, not to become familiar with farming communities' lifestyle), on their behalf a demand for an organised supply of rural tourist products is basically non-existent. So their need for staying in a rural environment is mostly satisfied by their relatives without any expenses, so very often they are not willing to spend any additional amount of money on similar holidays in other rural areas of the country. An other important factor to consider is that the majority of middle-class Hungarian families have their own small holiday homes somewhere in the countryside where they can spend weekends and their summer holidays.

Nowadays the domestic image of rural tourism (cheap, aimed for the least affluent, relatively boring) does not help to attract visitors to rural areas. In order to change this image, we have to create value and experience for customer. The development of rural tourism (including active nature holidays or participation in farm activities) is still in an early stage and the profitability of rural tourism is very low in Hungary (Kovács, 1993). The presupposition of the author of this paper is that the rural (village) tourism in Hungary can be competitive only if it creates value both for demand and supply side and if service providers cooperate in concern of success and the destination competitiveness.

4 Success or tourism destination competitiveness

Competitiveness is a broad concept, which can be observed from different perspectives: through products, companies, branches of the economy or national economies, in the short run or the long run. The definitions offered in the literature provide both a micro and macro connotation of competitiveness. From a macro perspective competitiveness is a national concern and the ultimate goal is to improve the real income of the community. From a micro perspective, it is seen as a firm level phenomenon. In order to be competitive, any organisation must provide products and services, which must satisfy the never ending desires of the modern consumer. For such products and services, customers or clients are willing to pay a fair return or price.

This paper extends the concept of comparative and competitive advantage to tourism. *Comparative advantage* seems to relate to things like climate, beautiful scenery, attractive beaches, wildlife etc. Comparative factors are close to primary tourism supply (natural, cultural and social attractiveness). On the other hand, *competitive advantage* relates to tourism infrastructure, the quality of management, the skills of the workforce, government policy etc. (Ritchie – Crouch, 1993). Competitive factors

refer to secondary tourism supply. They can be produced and improved by the tourist firms or governmental policy. Both kinds of factors are co-dependent. Without secondary tourism supply the tourism destination is not able to sell attractions, e. g. primary tourism supply on a tourist market, and without primary supply the tourism infrastructures not useful.

To understand the competitiveness of tourist destinations, we should consider both the basic elements of comparative advantage as well as the more advanced elements that constitute competitive advantage. Where comparative advantages constitute the resources available to a destination, competitive advantages mean a destination's ability to use these resources effectively (Crouch – Ritchie, 1999). The most important is the ability of the tourism sector to add value to its products. The primary attractiveness can be a source for higher value added, but the value is only created through performing activities. It can happen that the comparative advantage is lost due to the un-competitive secondary tourism supply. The support of tourism stakeholders is essential for successful development and sustainability of tourism and could help to improve destination competitiveness. Despite the extensive literature on competitiveness, no clear definition or model for discussing tourism destination competitiveness has yet been developed. There is a fundamental difference between the nature of the tourism product and the more traditional goods and services. A model of competitiveness that focuses specifically on the tourism sector is based on the nature of the tourism offering product, which from a destination perspective can be regarded as “an amalgam of individual products and experience opportunities that combine to form a total experience of the area visited” (Buhalis, 2000). Destination competitiveness appears to be linked to the destination's ability to deliver goods and services that perform better than other destinations. A large number of variables are linked to the notion of destination competitiveness. They can be quantitative, such as visitor numbers, market share, tourist expenditure, employment, value added by the tourism industry, or qualitative measured variables, such as richness of culture and heritage, quality of tourism services, etc.

Poon (1993) suggested four key principles which destinations must follow if they are to be competitive: put the environment first, make tourism a leading sector, strengthen the distribution channels in the market place and build a dynamic private sector. Go and Govers (1999), measured a destination's competitive position relative to other destinations along seven attributes – facilities, accessibility, quality of service, overall affordability, location image, climate and environment, and attractiveness.

The above mentioned models inquire destination competitiveness from demand or from supply side. In the next part of the paper an integrated model will be presented to offer direction to attract and to satisfy tourism customers in rural areas of Hungary.

5 Interpretation of rural tourism competitiveness in the case of Hungary

In the reason of earlier mentioned we can inquire the competitiveness of rural tourism destination in case of Hungary.

Comparative factors for competitiveness are suitable in the Hungarian rural areas. Most of the rural areas (villages) possess various natural and cultural attractions. Among these, the most important ones are the clean natural environment, fresh air, quiet, the hospitality of the local people, the gastronomy, the rural lifestyle, and to a certain extent, the preserved traditions and heritage. On the other hand, the old architectural styles that made our villages so distinctive are disappearing, the construction boom in the '60s and '70s resulted in relatively similar village appearances all over the country, less and less young people know and practice the old traditions, and the general modernisation has changed the rural lifestyle (Rátz – Puczkó, 1998). Rural lifestyle and the closeness of nature are important factors of competitiveness of rural tourism in Hungary, our on-going survey² certifies that the interest of rural tourists mainly looking for authentic rural experiences, for quiet, for sport activities and for nostalgia (for example vacation with grandmother).

Certain attractions typical of rural tourism, like the opportunity for participation in farm activities or involvement in the hosts' everyday life, are missing in the majority of destinations. Altogether, the overall attractiveness (supply-competency) of the rural areas in Hungary is acceptable, the potential for rural tourism development seems to be existing, but there is a need for a marketing approach (communicational-competency) in the development of complex tourist products, and for further diversification and development of attractions based on the needs of different tourist segments. Rural destination should acquire these 2 main parts (Piskóti et al., 2002) of competency to attract visitors. The first is the supply-competency being responsible for creatively packing the touristical products of rural area, and the second as communicational-competency which is responsible for a harmonizing communication and image building.

On the other hand, *competitive advantage* relates to tourism infrastructure, the quality of management, the skills of the workforce, government policy etc. This side of rural competitiveness is less organized still in Hungary, so it is a great problem, which is in the way of tourism success. We can see earlier that the touristical supply is rather fragmented, composed by small and medium sized touristical enterprises facing with low financial standing, and lack of marketing skills. In order to satisfy the demand of experience-chain³ and to deliver experience-based, complex touristical products are needed, the service suppliers of a destination should think and work together in different degrees of collaborative network.

2 Online survey to inquire the motivations and satisfactions of rural tourist in Hungary, Corvinus University of Budapest, Department of Service Management.

3 It is a creatively packed complex touristical service.

According to the author, in cases like rural areas of Hungary, where the culture of co-operation has not been developed, or has been inflated in the centrally planned economy, the top-down initiation possibly with the assistance of the government is needed to raise community awareness. The solution and the right way for success are, if this coordination task can be fulfilled by the local touristical association or by the nowadays fashionable Destination Management Organization (DMO). Rural touristical associations' or DMOs' responsibility is to create the inventory analysis about the attractions of the destination, and measure the given resources and source of new ones. The product packages of the destination should be put together on the base of the inventories and demand forecasts, with the help of supplier. DMOs or associations should encourage the entrepreneurial sphere to think and work together to create complex supply packages. Building the image of the destination and finding the best way for promoting and selling the destination is vital in the steep competition. DMOs should realize the need of horizontal cooperation with other regions, to carry out cross-regional actions. DMOs' are responsible for the development in the destination. To reach a balanced and legitimate development, the relevant participants of the suppliers and representatives of the host population should be involved. The DMOs' role is to bring attention to the innovative technologies and methods which can create value for the destination and assure training and education for the participants for successful adaptation. And finally is rather useful to reach and maintain the community awareness, and to assure the stable support of the host population and the suppliers. By interactive communication, the negative effect of tourism can be prevented, and a prospering development and competitiveness maintained.

6 Conclusions

The study brings together the main elements of rural tourism destination competitiveness in Hungary, it provides a realistic display of the linkages between the various elements.

Rural tourism in Hungary is a developing area, but there is a lack in necessary factors of success and competitiveness. The reason of the problem is mainly the lack of organizational competency and the lack of cooperative business culture. To solve this problem we should create value both for demand and supply side, but value creation is possible only with cooperation of tourism suppliers and local government and local communities in form of association or DMO.

The topic is calling for further research, therefore, as a continuation of this work, further empirical study will be realized, with tools of both qualitative and quantitative methods.

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